

Message Text

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TO AMEMBASSY SAN JOSE

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SUBJECT: LATIN AMERICAN BANK

REF: SAN JOSE 3233

1. AS A RESULT OF MOST RECENT DISCUSSIONS WITH CREDITORS
CENTRAL BANK NOW OFFERING TO ASSUME 56 PER CENT OF LAB'S
PORTFOLIO. IN REALITY CENTRAL BANK WOULD GUARANTEE 44 PER
CENT OF THE PORTFOLIO AND AMERICAN MOTORS CORPORATION
WOULD GUARANTEE AN ADDITIONAL 12 PER CENT BY CONVERTING
LOANS IT HAS TO PROIN GROUP COMPANY MOTORIZADA, S.A. INTO
EQUITY. THIS OFFER OF 56 PER CENT IS LESS THAN AN OFFER TO
ASSUME 75 PER CENT OF THE PORTFOLIO WHICH WAS MADE VERBALLY
BY A CENTRAL BANK SPOKESMAN TO A CREDITOR'S REPRESENTATIVE
IN SAN JOSE PRIOR TO JULY 31. WHEN THE OFFER WAS RECEIVED
IN WRITING FROM CENTRAL BANK PRESIDENT JIMENEZ, HOWEVER, IT
WAS FOR ONLY 56 PER CENT. IN ANY CASE THIS OFFER IS BETTER
THAN THE CENTRAL BANK'S ORIGINAL ONE. UNDER THE NEW PRO-
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POSAL THE BANCO DE CARTAGO, RATHER THAN THE CENTRAL BANK,
WOULD ASSUME THE PORTFOLIO.

2. CREDITORS WILL MEET AGAIN ON AUGUST 12 TO CONSIDER THE

56 PER CENT OFFER. WHILE THEY WOULD MOST LIKELY GO FOR A 75 PER CENT OFFER, IT IS NOT KNOWN AT THIS TIME HOW THEY WILL REACT TO THE LOWER AMOUNT. MUCH DEPENDS ON HOW THE 56 PERCENT WOULD BE DIVIDED AMONG THEM. AS ENVISIONED THE WORKOUT WOULD INVOLVE A 7 YEAR AND 1 DAY LOAN TO BANCO DE CARTAGO AT AN INTEREST RATE YET TO BE DETERMINED. THE CENTRAL BANK PLAN INCLUDES FULL PAYMENT TO CD HOLDERS OUT OF REMAINING LAB ASSETS AS FAST AS POSSIBLE.

3. IN THE MEANTIME THE LONGER THE NEGOTIATIONS DRAG OUT THE GREATER THE POSSIBILITY THAT SOME OF THE CREDITORS WILL BREAK AWAY AND SEEK THEIR OWN DEAL. THERE IS ALREADY DISSATISFACTION AMONG SOME OF THE CREDITORS WITH THE BIG THREE CREDITORS, I.E., AMERICAN FLETCHER, FIDELITY UNION TRUST, AND HARTFORD NATIONAL, ON THEIR HANDLING OF THE PROBLEM. THERE IS ALSO A RUMOR CIRCULATING THAT THE EX-IM BANK MAY HAVE ARRANGED A SIDE DEAL WITH THE GOCR. THIS RUMOR HAS BEEN FIRMLY DENIED BY EX-IM. IT IS, HOWEVER, APPARENTLY BEING ENCOURAGED BY THE GOCR WHICH MAY MISTAKENLY FEEL IT IS NECESSARY TO ARRANGE SUCH A DEAL IN ORDER TO MAINTAIN GOOD RELATIONS WITH THE EX-IM BANK.

4. ONE OF THE CREDITORS, THE BANK OF VIRGINIA, HAS ALREADY BROKEN OFF AND HAS INSTITUTED A SUIT IN GRAND CAYMAN AGAINST LAB AND ATTACHED THE ASSETS IN COSTA RICA OF LAB CREDITOR COMPANY, MOTORIZADA, S.A. SUCCESS OF ONGOING NEGOTIATIONS WILL DEPEND ON CREDITORS' ABILITY TO BRING THIS BANK BACK INTO THE FOLD.

5. EX-IM REPORTS THAT THE RODRIGUEZ BROTHERS AND THEIR ATTORNEY, FOURNIER, ARE STILL VERY ACTIVE IN THE NEGOTIATION PROCESS AND SPECULATES THAT THEY REMAIN AN IMPORTANT FACTOR IN THE CENTRAL BANK'S NEGOTIATIONS. KISSINGER

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